



# County of Los Angeles CHIEF EXECUTIVE OFFICE

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January 30, 2009

To: Supervisor Don Knabe, Chairman  
Supervisor Gloria Molina  
Supervisor Mark Ridley-Thomas  
Supervisor Zev Yaroslavsky  
Supervisor Michael D. Antonovich

From: William T Fujioka  
Chief Executive Officer

A handwritten signature in black ink, appearing to read "W. T. Fujioka", is written over the printed name and title.

## **STATUS OF STATE BUDGET DISCUSSIONS, PROPOSALS TO DEFER OR DELAY PAYMENTS TO THE COUNTY AND RECOMMENDED MITIGATIONS (AGENDA ITEM S-1, MEETING OF FEBRUARY 3, 2009)**

### **State Budget Discussions**

As in prior weeks, details about budget negotiations, their progress, points of agreement and unresolved issues were sketchy and difficult to obtain. The Governor and the Legislative Leadership (Big 5) met virtually every day last week, and, on at least one occasion, met multiple times on the same day. The Sacramento advocates indicate that there are rumors that the Legislative Leaders are working toward a "handshake deal" by the weekend, and that the Budget will be adopted next week.

Information about the status of State Budget negotiations obtained by the Sacramento advocates, County departmental representatives, associations and other sources includes the following:

- The Big 5 are still working toward resolution of the combined FY 2008-09 and FY 2009-10 shortfall of \$40 billion.
- Some sources indicate that there is a new revenue package. The sales tax would be increased by one-half cent which would produce approximately \$4 billion per year. An increase in the Vehicle License Fee to 2 percent, which would yield an estimated \$6 billion annually, also seems to be part of the discussions.

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- The remaining unresolved issues include proposed changes to the California Environmental Quality Act and modifications to existing California labor law, such as the definition of the work day, which are part of the Governor's economic stimulus plan.
- The Republican Leadership demand for a "hard" spending cap continues to be a contentious issue. There is strong opposition by counties, service provider and recipient groups, labor, education, and other key interest groups.

### **Administration Proposal to Defer State Payments to Counties**

Last evening, information was obtained from the Administration that the proposal to defer payments to counties may be modified. Administration staff is now suggesting that the total deferred amount is estimated to be \$1.8 billion, and that not all of the programs included in the original proposal will be affected. As originally proposed in the January 12, 2009 statutory language released by the Administration, a total of \$3.5 billion was estimated by the California State Association of Counties (CSAC) to be deferred over the seven month period from February 2009 to August 2009. (Per our report of January 26, 2009, the estimated impact of that proposal on the County would be \$1.423 billion.)

The Administration stated that they will not be able to provide precise estimates of the modified \$1.8 billion deferral, specific programs affected, or the exact length of the deferral until after a Budget agreement is reached. The details of a Budget agreement are necessary for the Department of Finance to prepare a cash flow analysis, and thereby determine the size and length of the deferral and the programs affected.

### **State Controller's February Payment Delay**

On January 26, 2009, we reported that the State Controller announced that due to the State shortfall, it was necessary for him to delay payments for at least 30 days to all programs not protected by the State Constitution, Federal law or court rulings as having first claim to available State General Fund cash. We estimated the County impact to be \$105.6 million. As of this writing, the Controller has not issued any further statements. Next week the Sacramento advocates will contact the State Controller's Office to determine whether he will delay payments.

### **County Advocacy Mitigation Efforts**

The Chief Executive Officer has sent letters to the County delegation describing the potential impacts on the County of the Governor's January Proposed Budget, the seven-month deferrals, and the State Controller's February delay in payments to the County.

Recently, the Directors and staff of the Departments of Public Social Services and Children and Family Services, CEO staff, and the County's legislative advocates met with some members of the County Delegation and other key Legislative offices as part of the County's advocacy efforts to inform the delegation about the impact of the Governor's Proposed Budget and deferrals, and the State Controller's decision to delay payments.

The Sacramento advocates will continue to strongly oppose the proposed reductions and deferrals. Our advocacy is closely coordinated with CSAC, Urban Counties Caucus, and a broad coalition of allied interest groups.

We will continue to keep your Board informed.

WTF:GK  
ML/DW:lm

c: Executive Officer, Board of Supervisors  
County Counsel